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The Director of Central Intelligence
 Washington, D.C. 20505

National Intelligence Council

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 31 May 1984

MEMORANDUM FOR: Acting Director of Central Intelligence

VIA: Herbert E. Meyer *HEM*
 Vice Chairman, National Intelligence Council

FROM: Milton Kovner
 National Intelligence Officer for Western Europe

SUBJECT: Spain, the European Community, and NATO

1. Failure of the EC Summit (25-26 June) to resolve its financial crisis will not only have implications for the future of European economic integration, but for Allied security interests as well. The absorption of European leaders with the British demand for wide-ranging budget reform will make highly unlikely the completion of enlargement negotiations with Spain this fall -- a time frame which the Socialist government in Madrid believes necessary to permit full accession prior to the 1986 general elections. Prime Minister Gonzalez and other Spanish officials have made it clear that early accession to the European Community will be a sine qua non for Spain's fuller integration into NATO's military wing, and that exclusion from "Europe" could affect Spain's continued association with the Alliance.

2. Moreover, both Madrid and Brussels face concerns of their own in moving ahead with enlargement. Spain will either have to accept most of the Community's severe limits on Spanish agriculture and fisheries, thereby reducing the apparent benefits of membership, or consider slipping the September deadline to permit a longer bargaining process at the risk of strengthening anti-EC -- and anti-NATO -- sentiment at home. At the same time, Community experts are beginning to realize that accession will only deepen the long-term EC budget crisis, and the Community will have to raise revenues far above what is now being discussed to cover the additional financial burden that Spanish and Portuguese membership will entail.

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3. In light of these complications to early accession, we think that Gonzalez will have to weigh very carefully whether it is prudent for him to retain the connection between the 1986 target date for EC membership and membership in NATO or, in light of current realities, seek to sever it. The issue may be unavoidable at the Socialist Party (PSOE) Congress this December, if no substantial progress on accession is registered by then. The Party remains generally hostile to Spanish participation, and anti-NATO demonstrations are on the rise with some local PSOE participation. Gonzalez, you will recall, is committed to a public referendum on Spain and NATO, a step he hopes to delay until 1985.

4. While the March 1984 NIE on Spain and NATO appropriately noted that Gonzalez would be able to elicit party and public approval for NATO, provided a tentative date for EC accession was apparent, we are now less sanguine that accession negotiations can be completed in time to accomplish this objective. And we continue to believe that Gonzalez will be reluctant to commit Spain to the defense of a Europe from which it could be economically excluded. If enlargement negotiations falter, as we suspect they will, we will review this issue this Fall, perhaps in a Memorandum to Holders.

M.S
Milton Kovner

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